



The Real Estate ANALYST

JANUARY 27
1941

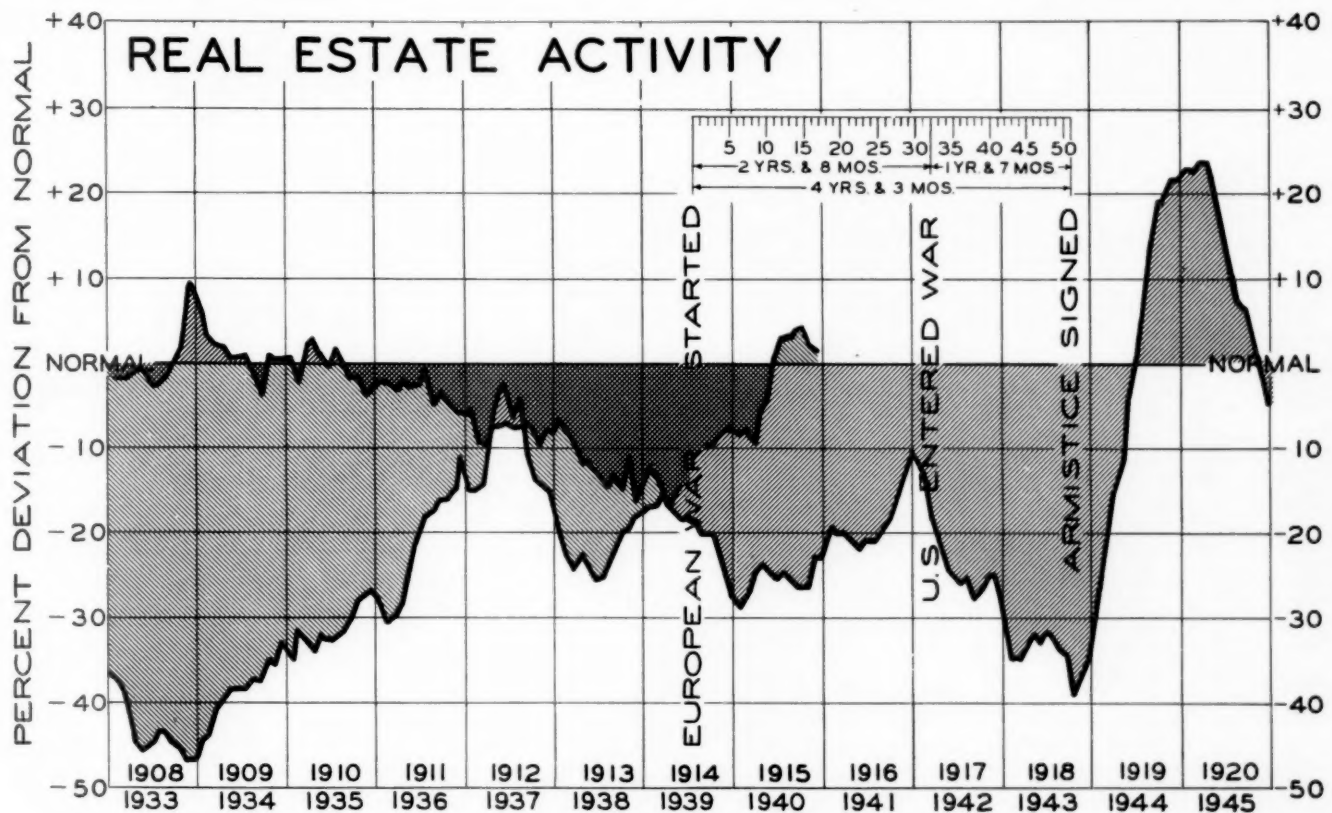
Roy Wenzlick
Editor

A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends...Constantly measuring and reporting the basic economic factors responsible for changes in trends and values...Current Studies...Surveys...Forecasts

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VOLUME X

REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

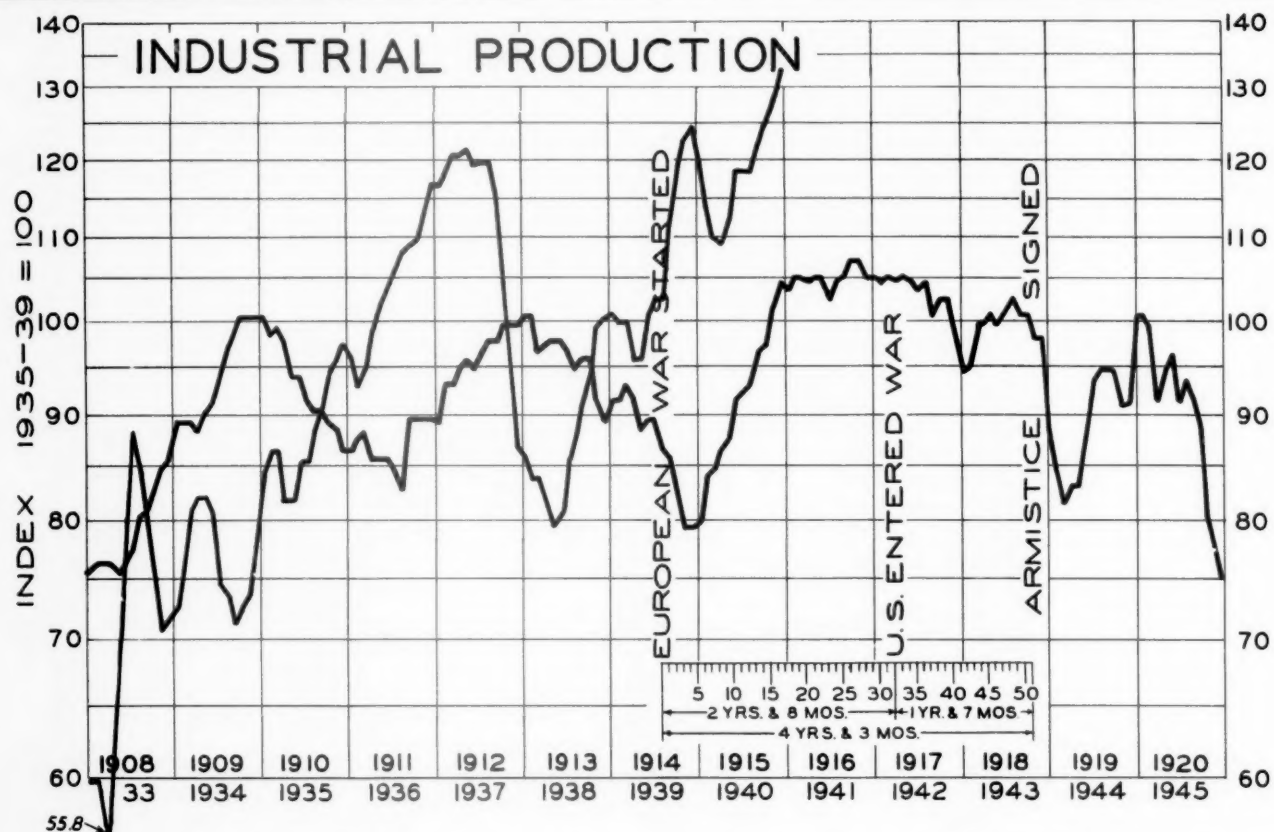


FORECASTS FOR 1941

It has been the custom of Real Estate Analysts, Inc., to forecast in its January report what it believes to be the most probable developments during the ensuing year of each of the factors affecting real estate and construction.

We realize the difficulties inherent in forecasting for so long a period as a year under the present national and international conditions. However, we are of the opinion that in some ways the present condition of stress makes forecasting easier and more reliable than it is in a period when national and international trends are drifting without any marked direction.

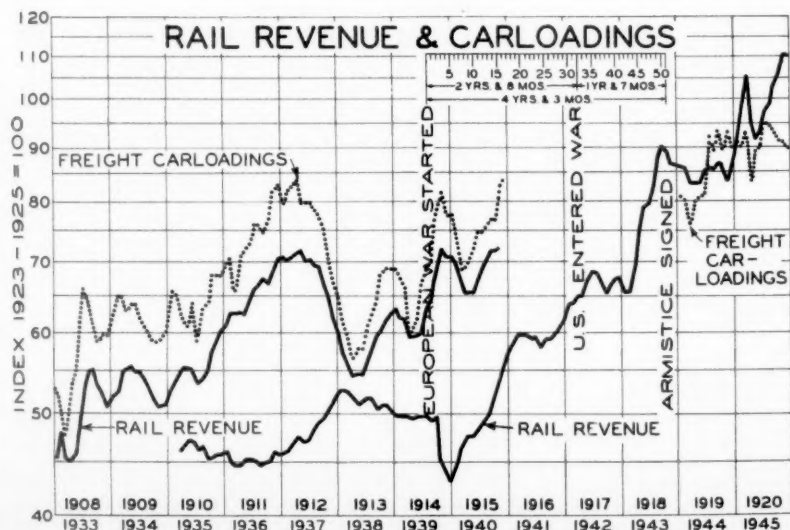
It seems to us, for instance, that nothing can happen either in Europe or in America during 1941 to halt our rearmament program. A defeat of Britain this spring would certainly not halt it. A compromise peace during 1941 would still leave a dominant Germany, which to most of us would be sufficient reason for a continuation of the present program. The entry of the United States into the war, which we think is quite probable, would only accelerate - if it could - the rapidity of American production. In other words, we believe that it is possible, with little risk, to make the basic assumption that industrial

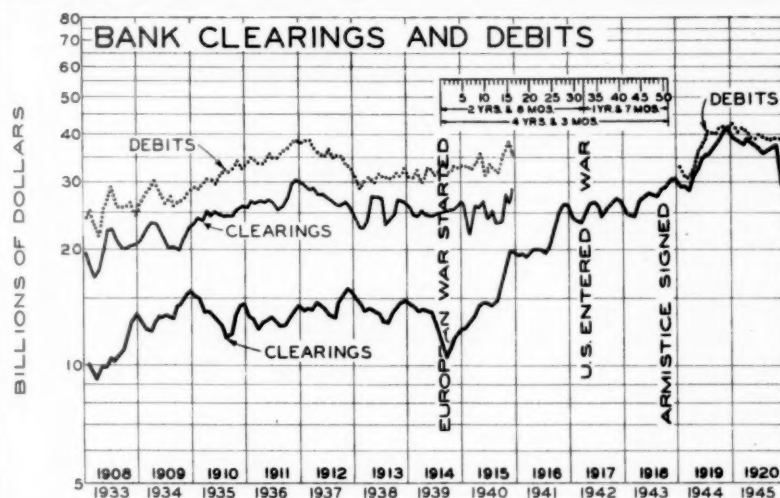


production in the United States will be at an all-time high in 1941. This will automatically result in various bottlenecks, some of which have already developed. Plant capacity in some industries will clearly be insufficient to take care of both rearmament and consumption demand. Skilled labor in many lines will not be available in sufficient quantities to take care of business "as usual" in fields not directly connected with defense. It is because of this situation that we believe it is easier to predict certain real estate trends than it otherwise would be.

THE chart on the preceding page shows a comparison of real estate activity from 1933 to the present with that of the period before, during and immediately after World War I. (The World War I curve is drawn in green; the recent past, in black. The two charts are superimposed in such a fashion that the beginning of World War I in 1914 and World War II in 1939 occur at the same point on the chart.)

A very superficial glance at this chart will show that there has been no similarity whatever between the period from 1908 to 1915 with the period from 1933 to the present. The former period, drawn in green, followed a real estate boom in the early 1900's and was a readjustment period downward. The black curve of our chart (1933 to the present) is also a reaction, but this time an upward one, following a major depression.





In our forecast issue of January 25, 1940, we said, "War or no war, we expect real estate activity to increase now as the natural reaction from the lows of the 1930's. We think that in 1940 it will cross the normal line." We crossed the normal line in June, and we have been above it ever since.

We believe that during 1941 the movement will probably be sideways for a while, but if the United States does not enter the war this year, we rather expect real estate activity to gain rapidly during the latter part of the year. Should the United States enter the war, a feeling of uncertainty would defer many capital investments, with a set-back in real estate activity.

INDUSTRIAL PRODUCTION

THE chart on industrial production (opposite page) is based on figures compiled by the Federal Reserve Board, but these figures have been adjusted for population changes. In other words, we are attempting to chart the per capita volume of production. Industrial production, even on this basis, is already at a new high, with very little doubt that 1941 will show further improvement. We are inclined to think, however, that the larger part of this improvement will come in the latter half of the year, as additional production in many lines is waiting for the completion of additional capacity.

FREIGHT CARLOADINGS AND RAIL REVENUE

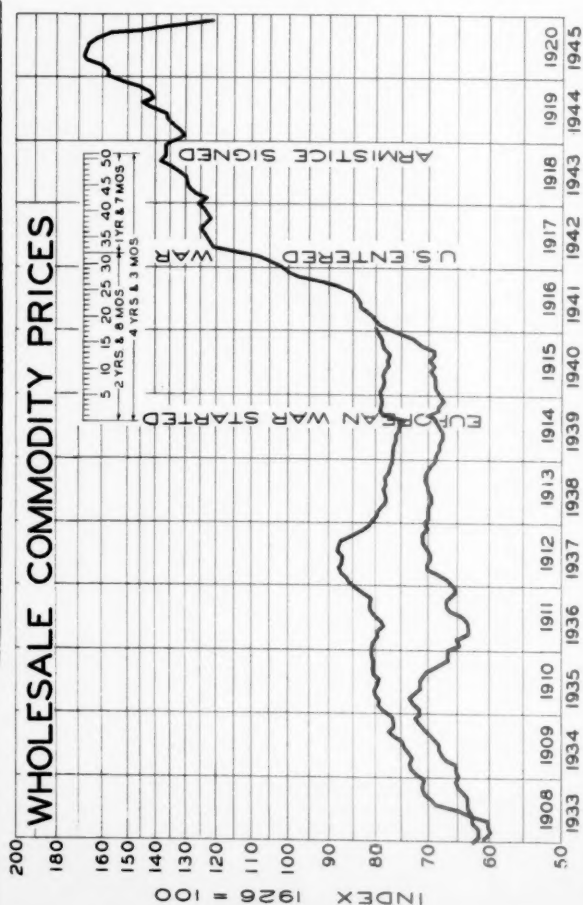
RAIL revenue and freight carloadings shown to the left would indicate a tremendous rise may be experienced during the next few years. We think it highly probable that "priorities" may be used as bottlenecks developed. Freight carloadings, as shown by the dotted line, form a more significant index but are not available prior to 1919.

BANK DEBITS AND CLEARINGS

THE chart to the left above shows bank clearings and debits to individual accounts. Bank clearings are shown by the solid lines and debits by the dotted lines. Figures on debits are more informative but are not available prior to 1919. There was a rapid rise in bank clearings during World War I with a corresponding increase in debits. The first year of World War II shows only a slight trend upward. Both indexes will show rapid increases for 1941.

REAL ESTATE TAXES

IN most cities real estate taxes are some distance below the peak levels of the late twenties, but on a percentage to the values of the properties, they are still quite high in practically all communities. Two factors will lighten the relative tax load on real estate during the next few years: 1. Smaller deductions from the gross income of real estate for vacancy at the same time that rental levels will be rising slowly. (This will result in taxes taking a smaller percentage of gross income than they have during the past few years.) 2. Taxes of all other types will increase very sharply during the next few years - leaving real estate tax loads in a more favorable position to other tax loads than they now are. It seems to us that real estate taxes will increase slowly in the period ahead, as real estate values rise; but since the federal government will be more severely pressed for income than the states or municipalities, real estate taxes will not increase as fast as other types.

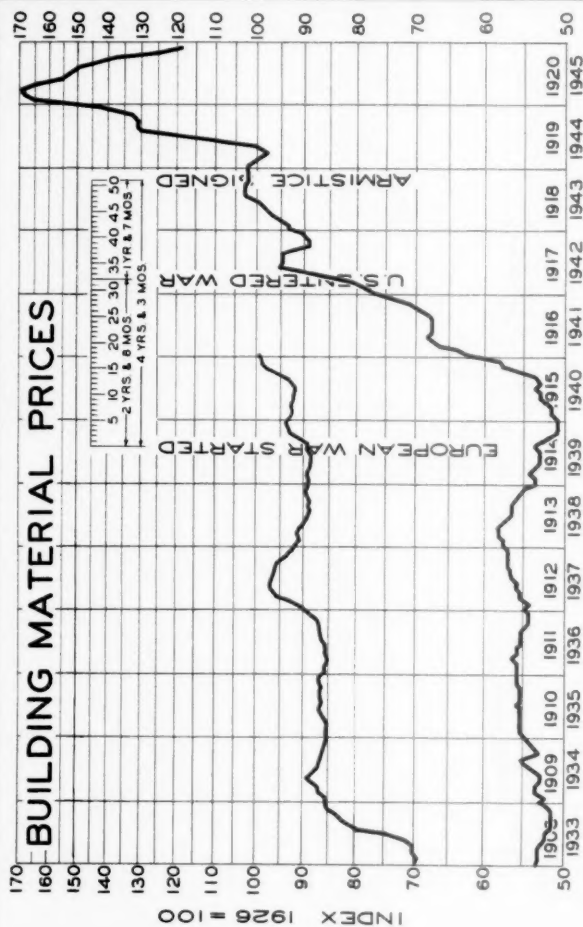


COMMODITY prices have behaved very well during the present war; but this was to be expected in the period prior to the development of shortages. It will be noticed from the chart above that the same thing was true during the first year of World War I.

We know that the efforts on the part of the government to control prices during the next few years will be much greater than the efforts made during the last war. We think that these efforts may retard rises which would otherwise come sooner; but over a period of years we are anticipating a very much higher price level.

During the last war commodity prices almost doubled, and by the summer of 1920 this index had advanced by 140%.

This and the following two charts are based on the index figures compiled by the Bureau of Labor Statistics.



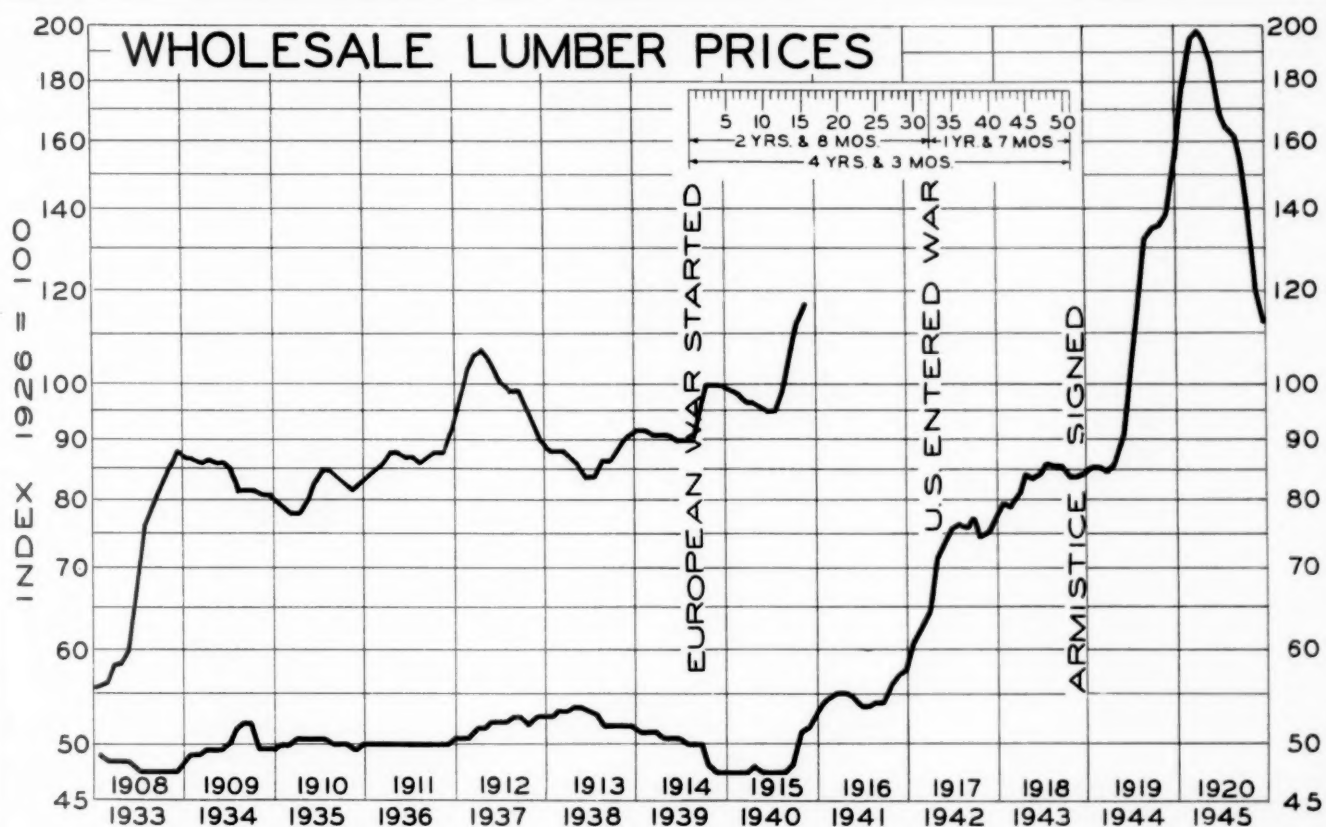
BUILDING material prices are charted above on the same basis as wholesale commodity prices on the chart to the left.

It will be noticed that the green line showing the reaction of prices during the first world war dropped during the first year of the war. In a similar period of the present war (as shown by the black line) they experienced a slight increase. Within recent months this increase has been rapid.

During World War I wholesale building material prices increased 90%, and by 1920 this index had advanced by 210% of the 1914 figure.

During the period from 1914 to 1920 wholesale commodity prices advanced by only 140%.

We anticipate a sideways movement for several months in 1941, followed by a further rise in these prices.



WHOLESALE lumber prices have had a very interesting history, and it is possible to chart them for almost 150 years. The chart above shows that they were fairly stable from 1908 until the latter part of 1915, when rises occasioned by World War I started; prices nearly tripled in five years. These rises were brought on by increased demand, by inability to secure shipments and by a general price inflation taking place during this period.

In 1933, on the basis of cost of production, lumber prices were quite low, although they were above the 1908 levels. The revaluation of the dollar, which took place in that year, together with the code control of the NRA, was responsible for the jump in prices that almost doubled the depression low. These better prices were roughly maintained in spite of the collapse of the code system, with further rises in price during the short-lived boom of 1937. A new recovery market was experienced in the middle of 1938, and when the war started in 1939, lumber prices took a sudden jump, probably largely unjustified.

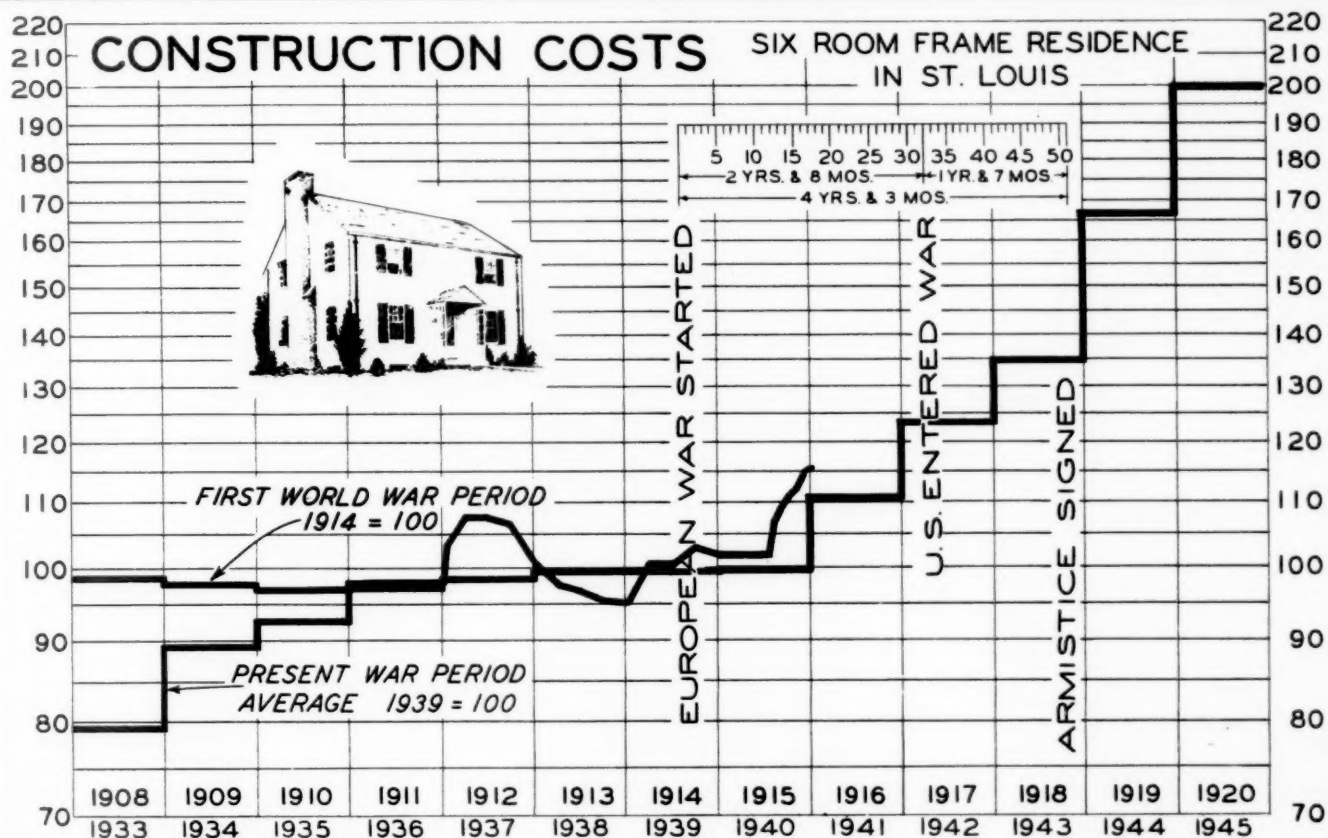
From this point prices sagged slowly, until the beginning of our rearmament program, which occasioned a very sharp and sudden rise. A large part of the direct government purchases for cantonments has been completed, although 110 million board feet are still being purchased during January and February. The slowing down of this unusual demand will probably result in a sideways movement of lumber prices for several months, although the problems of transportation of lumber may come into considerable prominence before the end of the year - particularly in the east coast cities. We are told that at present there are only 89 ships in the lumber trade carrying through the canal to the east coast, with the probability that some of these may be transferred to other uses. Our conclusion in regard to lumber prices would be that there is little chance of a major drop, that the probability is for a sideways movement, with a strong possibility of a resumed upward movement by the latter part of 1941, especially if the number of troops in training should be increased greatly.

BUILDING COSTS OF A STANDARD SIX ROOM FRAME RESIDENCE BUILT IN ST. LOUIS

The chart on page 197 shows the variations in the costs of materials, labor and overhead for a six-room frame residence in St. Louis. Floor plans and a picture of the house are shown with the chart. Costs are grouped into four classifications of material, four of labor and overhead items - columns 18, 19 and 20 - are also printed in black.

*No labor items are shown in column 13, Building Hardware, as they have already been included in column 6, Mill Work.

GROUP A		GROUP B				GROUP C				GROUP D				GROUP E				TOTAL																			
YEAR	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	TOTAL															
1913	\$343	\$388	\$24	\$13	\$367	\$401	\$218	\$101	\$134	\$250	\$121	\$996	\$356	\$152	\$136	\$231	\$1110	\$383	\$246	\$65	\$12	\$36	\$49	\$16	\$59	\$64	\$51	\$18	\$227	\$142	\$1973	\$1144	\$248	\$337	\$132	\$716	\$3833
1914	\$62	\$38	\$41	\$212	\$45	\$134	\$249	\$121	\$976	\$356	\$147	\$976	\$356	\$147	\$976	\$356	\$147	\$976	\$356	\$147	\$976	\$356	\$147	\$976	\$356	\$147	\$976	\$356	\$147	\$976	\$356	\$147	\$976	\$356	\$147	\$976	\$356
1915	\$360	\$388	\$24	\$13	\$367	\$401	\$212	\$101	\$134	\$250	\$121	\$996	\$356	\$152	\$136	\$231	\$1110	\$383	\$246	\$65	\$12	\$36	\$49	\$16	\$59	\$64	\$51	\$18	\$227	\$142	\$1973	\$1144	\$248	\$337	\$132	\$716	\$3833
1916	\$366	\$396	\$24	\$13	\$390	\$426	\$224	\$108	\$148	\$264	\$128	\$1025	\$365	\$203	\$144	\$209	\$116	\$512	\$260	\$101	\$12	\$55	\$22	\$86	\$69	\$59	\$19	\$323	\$153	\$2950	\$1206	\$295	\$375	\$142	\$812	\$4269	
1917	\$456	\$413	\$25	\$14	\$481	\$426	\$258	\$109	\$300	\$146	\$396	\$1154	\$397	\$244	\$152	\$382	\$122	\$603	\$274	\$108	\$12	\$59	\$4	\$110	\$69	\$69	\$19	\$372	\$156	\$2610	\$1243	\$325	\$418	\$152	\$896	\$4749	
1918	\$539	\$421	\$25	\$15	\$564	\$436	\$292	\$118	\$570	\$158	\$449	\$1311	\$420	\$322	\$152	\$359	\$124	\$681	\$276	\$95	\$14	\$52	\$4	\$118	\$75	\$73	\$21	\$368	\$155	\$2928	\$1296	\$346	\$457	\$163	\$965	\$5185	
1919	\$624	\$453	\$25	\$15	\$649	\$469	\$319	\$128	\$1008	\$170	\$729	\$1551	\$422	\$290	\$160	\$349	\$130	\$639	\$290	\$83	\$15	\$57	\$31	\$113	\$81	\$112	\$23	\$343	\$176	\$3928	\$1386	\$342	\$566	\$187	\$1095	\$6049	
1920	\$742	\$463	\$25	\$17	\$770	\$480	\$607	\$133	\$1189	\$243	\$1030	\$2020	\$486	\$466	\$303	\$372	\$150	\$773	\$348	\$83	\$21	\$46	\$66	\$143	\$116	\$132	\$32	\$440	\$235	\$4713	\$1695	\$366	\$677	\$272	\$1065	\$7678	
1921	\$674	\$501	\$25	\$18	\$699	\$519	\$479	\$183	\$920	\$250	\$306	\$225	\$1905	\$663	\$273	\$192	\$460	\$515	\$333	\$48	\$22	\$35	\$69	\$94	\$119	\$104	\$32	\$327	\$243	\$3664	\$1772	\$372	\$581	\$215	\$1168	\$6604	
1922	\$609	\$506	\$25	\$18	\$634	\$524	\$362	\$174	\$703	\$232	\$271	\$209	\$1636	\$615	\$258	\$204	\$433	\$166	\$370	\$64	\$20	\$35	\$73	\$79	\$111	\$81	\$31	\$287	\$235	\$3248	\$1744	\$370	\$536	\$205	\$1111	\$6102	
1923	\$633	\$576	\$25	\$21	\$658	\$597	\$410	\$200	\$793	\$268	\$551	\$242	\$1754	\$711	\$267	\$277	\$430	\$184	\$697	\$411	\$20	\$38	\$81	\$94	\$128	\$90	\$36	\$320	\$268	\$3429	\$1987	\$407	\$582	\$228	\$1218	\$6634	
1924	\$618	\$604	\$251	\$108	\$869	\$811	\$401	\$206	\$779	\$328	\$492	\$202	\$1672	\$888	\$273	\$255	\$381	\$207	\$654	\$462	\$68	\$29	\$37	\$92	\$79	\$159	\$83	\$45	\$314	\$325	\$3401	\$2466	\$508	\$582	\$274	\$1456	\$7487
1925	\$606	\$684	\$251	\$108	\$871	\$911	\$401	\$206	\$779	\$328	\$492	\$202	\$1672	\$888	\$273	\$255	\$381	\$207	\$654	\$462	\$68	\$29	\$37	\$92	\$79	\$159	\$83	\$45	\$314	\$325	\$3401	\$2466	\$508	\$582	\$274	\$1456	\$7487
1926	\$566	\$653	\$251	\$108	\$816	\$760	\$379	\$240	\$732	\$320	\$432	\$288	\$1543	\$848	\$264	\$241	\$351	\$197	\$645	\$443	\$69	\$37	\$66	\$36	\$84	\$152	\$83	\$43	\$311	\$310	\$3316	\$2359	\$499	\$617	\$254	\$1370	\$7045
1927	\$565	\$621	\$251	\$108	\$816	\$760	\$379	\$240	\$732	\$320	\$432	\$288	\$1543	\$848	\$264	\$241	\$351	\$197	\$645	\$443	\$69	\$37	\$66	\$36	\$84	\$152	\$83	\$43	\$311	\$310	\$3316	\$2359	\$499	\$617	\$254	\$1370	\$7045
1928	\$563	\$541	\$208	\$97	\$771	\$639	\$408	\$184	\$644	\$244	\$377	\$220	\$1427	\$648	\$261	\$184	\$382	\$151	\$643	\$335	\$71	\$21	\$39	\$66	\$85	\$116	\$74	\$32	\$300	\$237	\$3141	\$1858	\$148	\$444	\$213	\$1194	\$6194
1929	\$565	\$541	\$185	\$97	\$769	\$639	\$408	\$184	\$644	\$244	\$377	\$220	\$1427	\$648	\$261	\$184	\$382	\$151	\$643	\$335	\$71	\$21	\$39	\$66	\$85	\$116	\$74	\$32	\$300	\$237	\$3141	\$1858	\$148	\$444	\$213	\$1194	\$6194
1930	\$474	\$422	\$185	\$97	\$659	\$519	\$401	\$135	\$655	\$181	\$312	\$164	\$1307	\$481	\$251	\$141	\$114	\$592	\$254	\$71	\$15	\$39	\$50	\$33	\$72	\$87	\$211	\$24	\$245	\$177	\$2084	\$1421	\$380	\$479	\$175	\$1035	\$5419
1931	\$411	\$342	\$155	\$57	\$566	\$400	\$313	\$108	\$594	\$145	\$254	\$131	\$1161	\$385	\$226	\$112	\$322	\$91	\$488	\$203	\$58	\$12	\$32	\$40	\$61	\$70	\$198	\$39	\$80	\$161	\$2655	\$1150	\$317	\$412	\$146	\$875	\$4680
1932	\$438	\$342	\$139	\$51	\$577	\$394	\$268	\$108	\$52	\$145	\$269	\$131	\$1069	\$385	\$210	\$112	\$266	\$91	\$496	\$203	\$50	\$12	\$38	\$40	\$60	\$70	\$199	\$39	\$365	\$161	\$2507	\$1143	\$295	\$395	\$142	\$832	\$4482
1933	\$457	\$342	\$130	\$51	\$587	\$394	\$355	\$108	\$562	\$145	\$344	\$131	\$1261	\$385	\$208	\$112	\$270	\$91	\$478	\$203	\$52	\$12	\$38	\$40	\$64	\$70	\$214	\$39	\$374	\$161	\$2700	\$1143	\$291	\$413	\$146	\$850	\$4693
1934	\$490	\$342	\$122	\$51	\$662	\$394	\$439	\$108	\$713	\$145	\$494	\$131	\$1646	\$385	\$234	\$112	\$279	\$91	\$513	\$203	\$55	\$12	\$30	\$40	\$63	\$70	\$223	\$39	\$396	\$161	\$3217	\$1143	\$299	\$466	\$154	\$919	\$5279
1935	\$508	\$422	\$111	\$67	\$619	\$486	\$399	\$135	\$638	\$181	\$523	\$164	\$1560	\$481	\$236	\$140	\$292	\$114	\$528	\$254	\$43	\$15	\$24	\$50	\$62	\$70	\$229	\$47	\$384	\$200	\$3091	\$1422	\$300	\$481	\$174	\$956	\$5469
1936	\$506	\$400	\$111	\$67	\$617	\$457	\$364	\$159	\$655	\$209	\$494	\$188	\$1513	\$557	\$255	\$160	\$301	\$131	\$556	\$291	\$50	\$19	\$28	\$57	\$62	\$70	\$229	\$47	\$384	\$200	\$3091	\$1422	\$300	\$481	\$174	\$956	\$5469
1937	\$508	\$408	\$111	\$67	\$617	\$457	\$364	\$186	\$688	\$245	\$539	\$221	\$1591	\$653	\$239	\$160	\$308	\$134	\$547	\$294	\$59	\$22	\$32	\$57	\$62	\$70	\$229	\$47	\$384	\$200	\$3091	\$1422	\$300	\$481	\$174	\$956	\$5469
1938	\$508	\$408	\$111	\$67	\$617	\$457	\$364	\$186	\$688	\$245	\$539	\$221	\$1591	\$653	\$239	\$160	\$308	\$134	\$547	\$294	\$59	\$22	\$32	\$57	\$62	\$70	\$229	\$47	\$384	\$200	\$3091	\$1422	\$300	\$481	\$174	\$956	\$5469
1939	\$510	\$417	\$103	\$67	\$619	\$483	\$343	\$142	\$631	\$185	\$550	\$167	\$1524	\$494	\$239	\$160	\$283	\$134	\$522	\$294	\$48	\$17	\$26	\$57	\$62	\$70	\$229	\$47	\$384	\$200	\$3091	\$1422	\$300	\$481	\$174	\$956	\$5469
1940	\$510	\$417	\$103	\$67	\$619	\$483	\$343	\$142	\$631	\$185	\$550	\$167	\$1524	\$494	\$239	\$160	\$283	\$134	\$522	\$294	\$48	\$17	\$26	\$57	\$62	\$70	\$229	\$47	\$384	\$200	\$3091	\$1422	\$300	\$481	\$174	\$956	\$5469
1941	\$515	\$417	\$103	\$67	\$619	\$483	\$343	\$142	\$631	\$185	\$550	\$167	\$1524	\$494	\$239	\$160	\$283	\$134	\$522	\$294	\$48	\$17	\$26	\$57	\$62	\$70	\$229	\$47	\$384	\$200	\$3091	\$1422	\$300	\$481	\$174	\$956	\$5469
1942	\$515	\$417	\$103	\$67	\$619	\$483	\$343	\$142	\$631	\$185	\$550	\$167	\$1524	\$494	\$239	\$160	\$283	\$134	\$522	\$294	\$48	\$17	\$26	\$57	\$62	\$70	\$229	\$47	\$384	\$200	\$3091	\$1422	\$300	\$481	\$174	\$956	\$5469
1943	\$515	\$417	\$103	\$67	\$619	\$483	\$343	\$142	\$631	\$185	\$550	\$167	\$1524	\$494	\$239	\$160	\$283	\$134	\$522	\$294	\$48	\$17	\$26	\$57	\$62	\$70	\$229	\$47	\$384	\$200	\$3091	\$1422	\$300	\$481	\$174	\$956	\$5469
1944	\$515	\$417	\$103	\$67	\$619	\$483	\$343	\$142	\$631	\$185	\$550	\$167	\$1524	\$494	\$239	\$160	\$283	\$134	\$522	\$294	\$48	\$17	\$26	\$57	\$62	\$70	\$229	\$47	\$384	\$200	\$3091	\$1422	\$300	\$481	\$174	\$956	\$5469
1945	\$515	\$417	\$103	\$67	\$619	\$483	\$343	\$142	\$631	\$185	\$550	\$167	\$1524	\$494	\$239	\$160	\$283	\$134	\$522	\$294	\$48	\$17	\$26	\$57	\$62	\$70	\$229	\$47	\$384	\$200	\$3091	\$1422	\$300	\$481	\$174	\$956	\$5469
1946	\$515	\$417	\$103	\$67	\$619	\$483	\$343	\$142	\$631	\$185	\$550	\$167	\$1524	\$494	\$239	\$160	\$283	\$134	\$522	\$294	\$48	\$17	\$26	\$57	\$62	\$70	\$229	\$47	\$384	\$200	\$3091	\$1422	\$300	\$481	\$174	\$956	\$5469
1947	\$515	\$417	\$103	\$67	\$619	\$483	\$343	\$142	\$631	\$185	\$550	\$167	\$1524	\$494	\$239	\$160	\$283	\$134	\$522	\$294	\$48	\$17	\$26	\$57	\$62	\$70	\$229	\$47	\$384	\$200	\$3091	\$1422	\$300	\$481	\$174	\$956	\$5469
1948	\$515	\$417	\$103	\$67	\$619	\$483	\$343	\$142	\$631	\$185	\$550	\$167	\$1524	\$494	\$239	\$160	\$283	\$134	\$522	\$294	\$48	\$17	\$26	\$57	\$62	\$70	\$229	\$47	\$384	\$200	\$3091	\$1422	\$300	\$481	\$174	\$956	\$5469
1949	\$515	\$417	\$103	\$67	\$619	\$483	\$343	\$142	\$631	\$185	\$550	\$167	\$1524	\$494	\$239	\$160	\$283	\$134	\$522	\$294	\$48	\$17	\$26	\$57	\$62	\$70	\$229	\$47	\$384	\$200	\$3091	\$1422	\$300	\$481	\$174	\$956	\$5469
1950	\$515	\$417	\$103	\$67	\$619	\$483	\$343	\$142	\$631	\$185	\$550	\$167	\$1524	\$494	\$239	\$160	\$283	\$134	\$522	\$294	\$48	\$17	\$26	\$57	\$62	\$70	\$229	\$47	\$384	\$200	\$3091	\$1422	\$300	\$481	\$174	\$956	\$5469
1951	\$515	\$417	\$103	\$67	\$619	\$483	\$343	\$142	\$631	\$185	\$550	\$167	\$1524	\$494	\$239	\$160	\$283	\$134	\$522	\$294	\$48	\$17	\$26	\$57	\$62	\$70	\$229	\$47	\$384	\$200	\$3091	\$1422	\$300	\$481	\$174	\$956	\$5469
1952	\$515	\$417	\$103	\$67	\$619	\$483	\$343	\$142	\$631	\$185	\$550	\$167	\$1524	\$494	\$239	\$160	\$283	\$134	\$522	\$294	\$48	\$17	\$26	\$57	\$62	\$70	\$229	\$47	\$384	\$200	\$3091	\$1422	\$300	\$481	\$174	\$956	\$5469
1953	\$515	\$417	\$1																																		



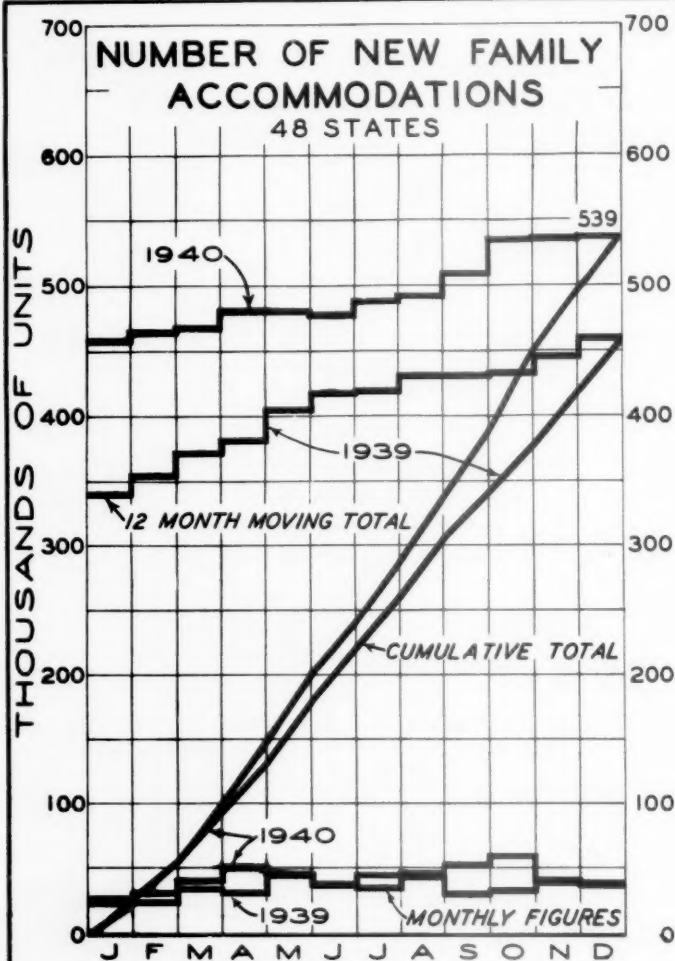
WE are charting above a comparison of the cost of building a six-room frame residence in St. Louis during the past eight years with the corresponding period of World War I. While we are inclined to think that most building material costs will move sideways during the next few months, we believe that the bottlenecks in labor will bring about rises of labor costs in erecting the building at the site, which will advance the total cost of the building at a rapid rate.

The increase in the cost of erecting this building has been 13.2% since July 1940. The detailed cost on this building - including the cost of materials, labor and overhead - is shown on the table to the left.

At the present time there are between 80 and 100 thousand men employed on construction work for the federal government on the rearmament program. Government officials believe that most of this work will be completed by June - releasing these men for work under private initiative. During the next four or five months, however, it is going to be very difficult in most cities of the United States to get competent building mechanics for private work at a wage in line with building costs during the past few months.

Unless building material costs advance too far, or unless our country has entered the war, with the many uncertainties that actual involvement would entail, the opportunities for residential building under private initiative should be much better the last half of 1941 than they will be in the first half.

(The house in question is a 6-room medium-priced frame residence containing 23,792 cubic feet and an attached garage of 1,575 cubic feet. The plans and specifications call for concrete foundations, concrete basement and garage floors, frame exterior walls of 3/4" x 10" redwood siding, with stucco gable ends.)



NEW BUILDING

THE chart to the left shows the number of new family accommodations build during 1939 and 1940 in all non-farm communities of the forty-eight states and the District of Columbia. 1939 is shown in red, 1940 in black. The bottom lines show the monthly figures uncorrected for seasonal influences; the inclined lines, the cumulative totals from the first of the year; and the top lines, the twelve months' moving totals; viz., each point on the top lines represents the totals for the preceding twelve months. These top lines show trends.

DWELLING UNITS CONSTRUCTED IN 48 STATES
(in thousands of units)

	Monthly		Cumulative		12 Month Moving Total	
	1939	1940	1939	1940	1939	1940
January	30.1	25.7	30.1	25.7	345	461
February	29.2	33.7	59.3	59.4	359	465
March	39.4	42.0	98.7	101.4	375	468
April	36.6	51.1	135.3	152.5	386	481
May	49.6	49.1	184.9	201.6	409	482
June	40.6	38.8	225.5	240.4	422	480
July	38.1	48.9	263.6	289.3	423	491
August	46.2	49.4	309.8	338.7	435	494
September	35.7	53.0	345.5	391.7	435	511
October	36.1	62.4	381.6	454.1	439	537
November	42.5	42.7	424.1	496.8	450	538
December	40.9	41.9	465.0	538.7	465	539

IN our forecast on new building in 1940 we stated that we expected an increase in residential building from 5% to 15% above the 1939 total. While final figures on 1940 are not yet available, the preliminary figures show that for the 48 states the increase was about 16%.

Our forecast on commercial building was an increase of from 10% to 20% above the 1939 total. The figures are not yet available for the 48 states, but in the 37 eastern states the increase was 29%, an increase larger than we forecast. The larger increase in the Dodge figures is partially due, we believe, to the fact that aircraft hangars in their classification come under "Garages, Service Stations etc.," a sub-group of commercial buildings rather than industrial building which they more nearly resemble in structure.

Our forecast on industrial building was from 45% to 60% above 1939. Because of the rearmament program, all forecasts were badly off on industrial building, as the increase was 153% in the 37 eastern states. National figures are not yet available. However, our forecast on industrial building for 1940 was the highest of any of those published.

We said in our forecast of a year ago that in our opinion other construction would show a loss sufficient to reduce the 1940 total construction figure from a minimum of the same level to a maximum of 10% above 1939. According to the Department of Commerce, total construction in the 48 states in 1940 exceeded 1939 by 2½%. According to Dodge it showed an increase of 12 3/4% for the 37 eastern states.

In making up our forecasts for 1941 we have in mind the following factors

that will undoubtedly affect the volume of building that can be done: First, building costs have increased considerably during the past six months and further increases are in prospect. We think it quite possible that during the coming year it will be decided that forces in training should be increased to full strength of three to four million men. This would require more cantonments, with further demands for lumber and building mechanics. It might even result in defense priorities, with inability to get some building materials and labor for residential building. At the same time, the calling of additional men to camp would be disturbing to the plans of some who had contemplated building. Everything else being equal, this would tend to reduce the volume of building.

Second, employment and general wage incomes will be higher during 1941 than they have been since the depression, which would tend to increase residential building. Many industrial companies will be employed at capacity, which will tend to increase industrial building. More money will be spent in stores, and it will be necessary to expand the number of office workers in many companies, which would tend to increase commercial building.

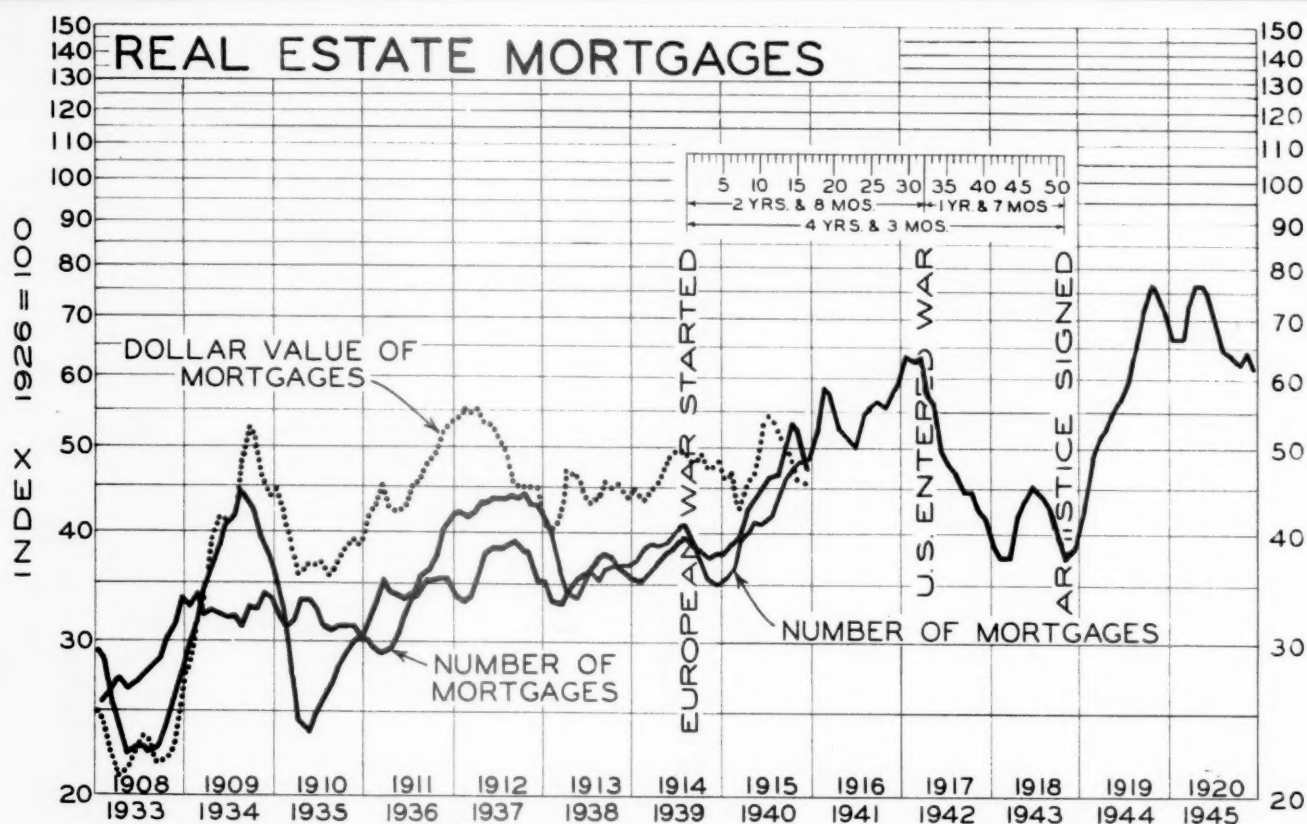
Third, it is now estimated that about 50 thousand defense housing units will be built during 1941, with the contracts already let on about 29 thousand of these units. The federal government will spend approximately 800 million dollars on munition plants and on industrial building during 1941. It will be practically impossible to secure competent building labor during the first half of 1941, as this labor will be employed at high wages on government contract. There are probably over 200,000 men employed at the present time on barracks, cantonments and troop housing; there are probably from 75 to 100 thousand more employed on other defense building operations. A large portion of these men, of course, cannot be called skilled building workers, but if the number of troops in training is not increased, many of the men can be released from government construction - making them available for private construction during the last half of the year.

One other factor that will greatly influence the volume of building during 1941 will be our official attitude toward the European war. Should the United States enter the war - which we think quite probable - the war outlook would prove a deterrent to building under private initiative. This occurred in the last war - the volume of building dropping from about 420 thousand units in 1916 to 200 thousand units in 1918. We are of the opinion that the drop would not be that drastic this time. However, should the United States enter the war, all of our forecasts will be revised at that time to take care of the changed conditions. Our estimates for 1941 on all building are:

RESIDENTIAL building in the 48 states, a total of 550 thousand units to be built during 1941 (without defense housing). Added to this will be the 50 thousand units of defense housing, which will bring the total to approximately 600 thousand units. This is an increase of about 10% above 1940. Total residential building for the 48 states in 1940 amounted to \$2,050,000,000. We think this dollar volume will be increased during 1941 by 8% - 10%.

COMMERCIAL building, an increase of from 20% - 30% above the 1940 level.

INDUSTRIAL building, an increase of from 20% - 25% above a year ago. This is, of course, in addition to the 800 million dollars worth of commercial and industrial building being done by the government.



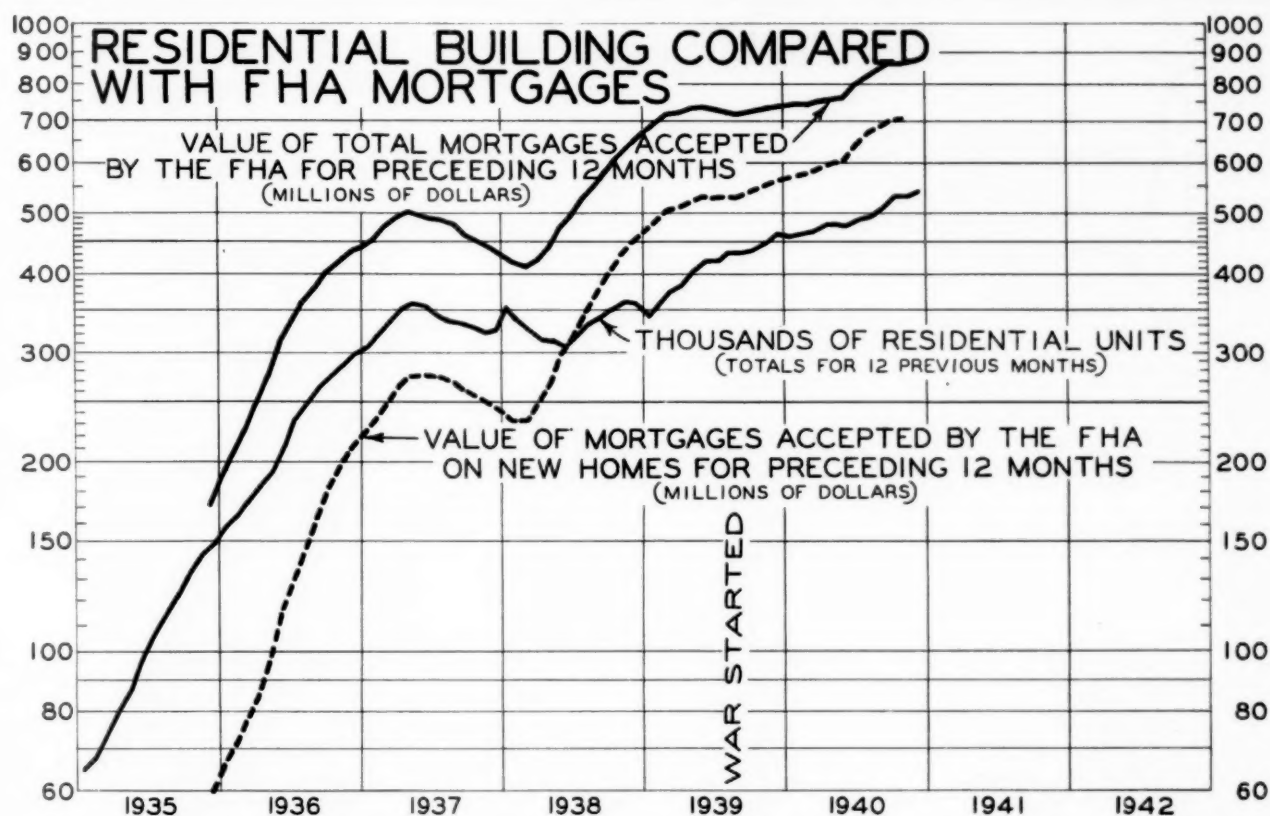
THE chart above shows the trends of mortgages recorded. 1926 = 100 for both the dotted line (showing dollar volume of mortgages) and for the solid line (showing the number of mortgages). The dollar volume of mortgages is a more desirable index of real estate mortgage activity than the index based on the number of mortgages. However, the index showing the dollar volume is not available prior to 1926.

Mere volume depends primarily on two things - the first of these being the financing of new building; and the second, the refinancing of properties already built.

The line showing the number of mortgages made during the past eight years more nearly parallels the pre-World War period than do any of the other lines charted in this report. We think that there is a strong probability that the number of mortgages made during 1941 will continue to follow the pattern of World War I. The reaction made by both of the indexes during the end of 1940 we think is only temporary in nature. The drop is similar in character to that suffered in the spring of 1916. The FHA is affecting the index, for it is substituting a single amortized loan for the first, second, and sometimes third mortgages that were current prior to 1934.

A further increase in building material prices will be a factor to watch closely, for it will have a tendency to decrease the volume of residential building. The scarcity of skilled labor may also become so acute that the cost of residential construction will be further increased. Many indexes must be followed regularly in order to determine the 1941 future of mortgages.

Should the United States enter the war, mortgage volume would probably drop, although we doubt if the drop would be so great as that experienced when the United States entered the war in 1917, as shown by the green line on the chart above.

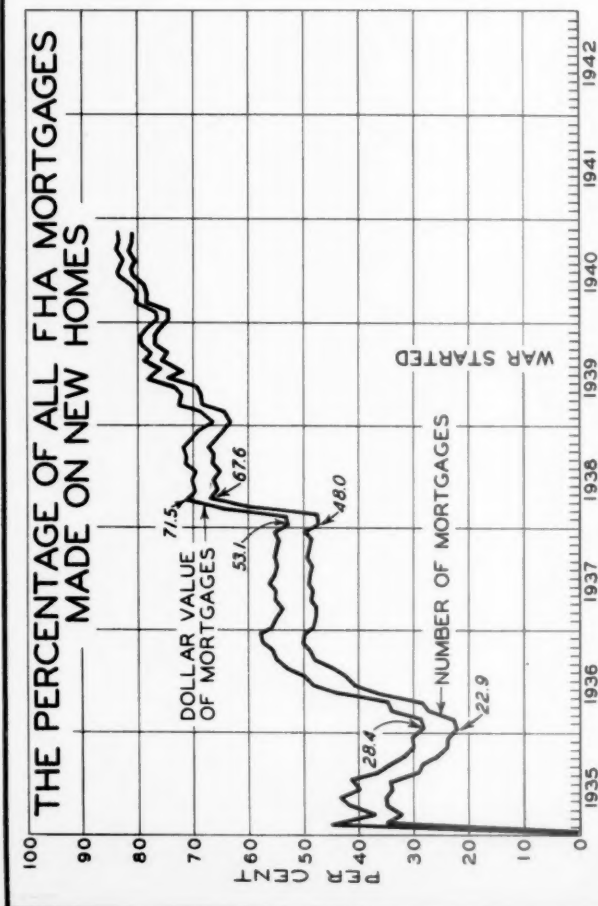


THE chart above shows the volume of new building compared with the dollar volume of mortgages accepted by FHA. The number of residential units is shown by the black line on the chart; the value of all mortgages accepted by the FHA, by the solid green line; and FHA mortgages on new homes, by the broken line. All lines on this chart are moving annual totals - that is, each point on the line represents the total for the twelve preceding months. This has been done so that trends will be more apparent than they would be on a line with sharp monthly fluctuations.

FHA financing of new residential construction shows an increase of about 1100% in the past five years. Today it is estimated, from all available information, to be between 40 and 50 per cent of the total dollar volume of all types of mortgage loans on new residential construction. There can be no doubt that FHA financing has accomplished its two principal objectives. It was successful as an emergency measure adopted to revive a collapsed construction industry, especially in the residential field. Thousands of acres of land have been developed and thousands of new subdivisions are now being built up on the outskirts of practically all metropolitan cities. Secondly, it has encouraged home ownership by families of modest incomes, families that formerly were unable to afford a home of their own.

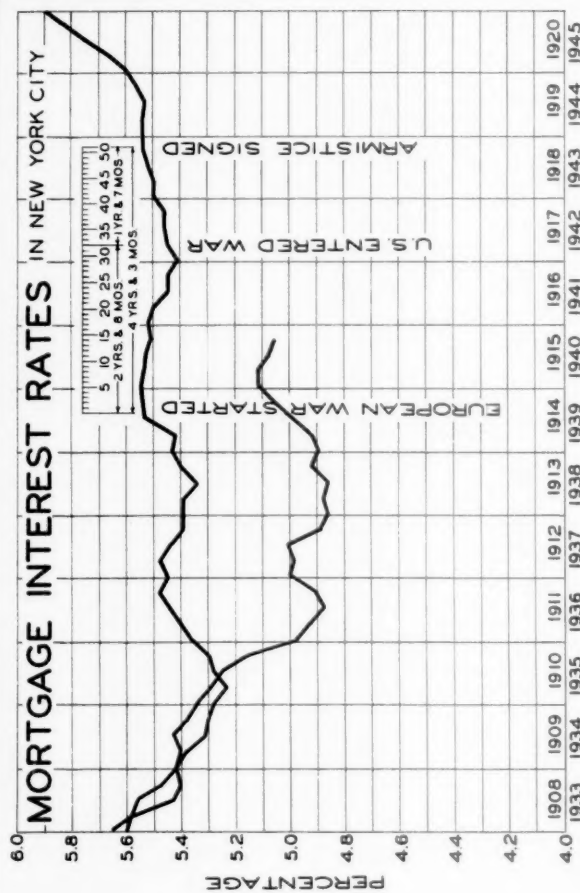
While these two objectives are greatly to be desired, the price paid may be too great to justify their accomplishment. FHA financing artificially stimulated new residential construction in the outlying sections - this has softened rents and values of older properties to make them a drag on the market. (See page 30.)

It is ironic to contemplate a government policy which on the one hand is hastening decentralization and urban blight and on the other is spending vast sums of money and a great deal of study on a policy to halt decentralization and to remove blight.



THE chart above shows that the FHA has consistently been issuing a larger percentage of loans on new houses than it has on buildings already standing. In January of 1936 only 22.9% of the mortgages they insured were on new buildings, with 77.1% on buildings already standing. These percentages have now been completely reversed, and in November, 81.8% of the mortgages insured have been on new buildings, with only 18.2% on existing homes.

This is not a healthy situation, either for real estate values in general or for a continuation of residential building volume. The inability of financing existing buildings on favorable terms has proved an insuperable obstacle to many middle-class homeowners who would otherwise be able to sell their present home and buy or build a new one. By far the greater part of the building has been done for the lower groups in the population who had no previous ownership experience and, therefore, had no trade-in problems. A similar situation in the automobile industry would in time reduce the output of new cars.

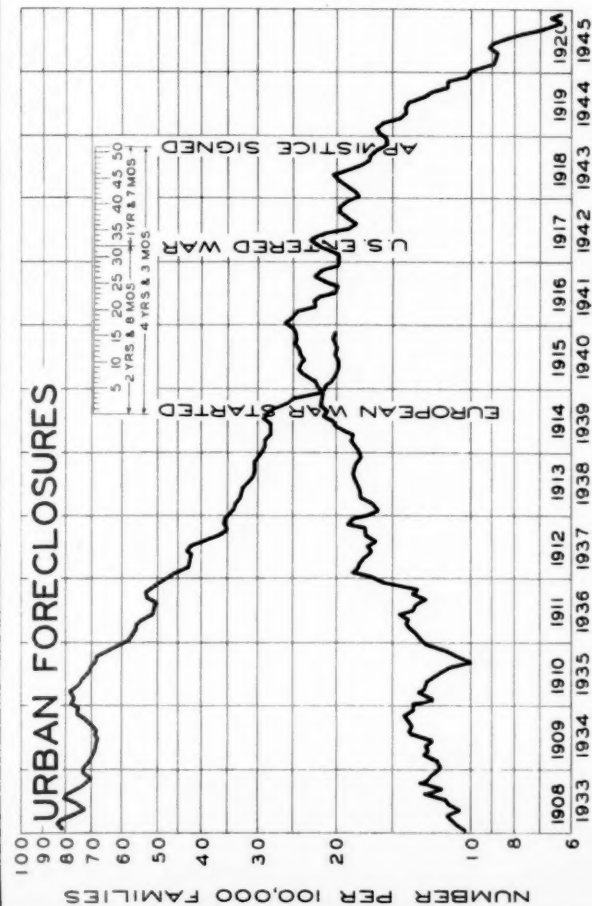


THE chart above shows the mortgage interest rate in New York City from 1908 to 1920 and from 1933 to the present. It is computed by averaging the rates charged on all new mortgages, but it excludes purchase money mortgages, extensions, inter-family transactions, agreements, etc.

The rise from 1938 to the middle of 1940 is quite surprising and is undoubtedly the result of better business conditions.

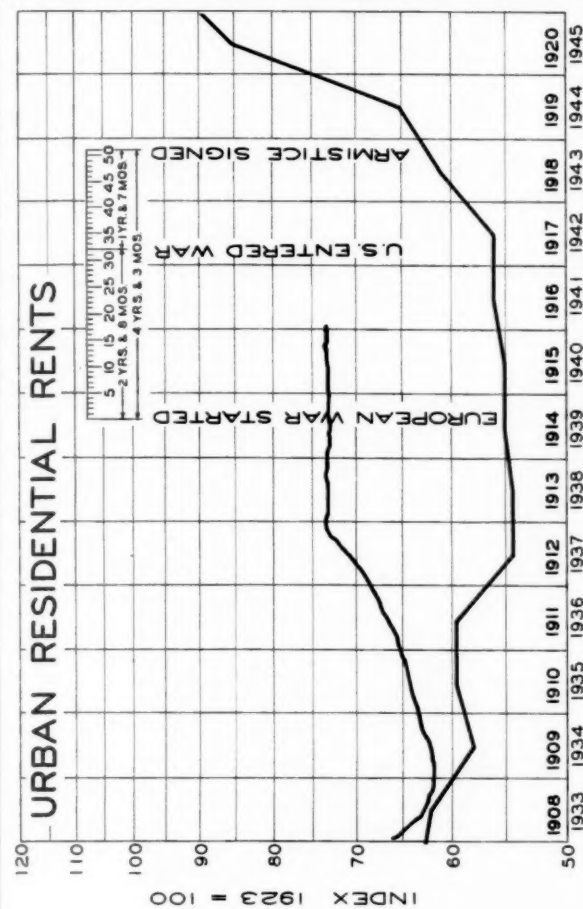
During World War I interest rates showed practically no change, but shortly after the signing of the armistice, rates started rising rapidly. This was largely the result of higher price levels, which required a greater amount of investment capital.

We are inclined to believe that mortgage interest rates will probably drift sideways and slightly upward during the next few years. We think that the greater pressure toward lower rates is over.



DURING the greater part of 1940 urban foreclosures moved sideways, a decided change in trend over the consistent drops of the preceding five years. This sideways movement has been the result of several factors - the principal one of which has been the rather low level to which foreclosures have declined. It is self-evident that foreclosures cannot continue indefinitely to drop at any fast rate. As they approach zero as a limit, the rate of decline must necessarily level out.

Another reason why foreclosures have not continued the downward trend during 1940 has been the attempt on the part of many financial institutions to clear up many old mortgage problems. A great number of mortgages that were carried on a delinquent basis have finally been foreclosed, with an attempt now to liquidate the properties at whatever the mortgage will bring. We think that the increased industrial activity, with greater employment, will reduce the rate of foreclosures still further during the coming year.



THE chart above shows that urban rents in principal cities have moved sideways for more than three years, with very little upward and downward movement. This sideways movement has been due to the building under cheaper financing. If building costs advance by a sizable percentage, as we think they will, rents should follow building costs up, but with a lag - which in the first war averaged between a year and a half and two years. It seems to us, however, that the lag this time will not be so great. In fact, we would not be surprised to see the upward movement of rents resumed during 1941, with an accelerated movement in 1942.

We think it entirely possible that rent control measures will be much discussed during this period and that they will be tried in some cities. There will be quite a variance between cities in the rent reactions, as those cities in which large defense projects are going forward will experience the greater shortage of space, with the accompanying rapid rise in rents.

POSSIBILITY OF RENT CONTROL

At a time when prices of commodities are rising (against the expectations of the federal government) with a rather definite outlook for price control on many commodities, it is quite probable that in cities where actual housing shortages develop because of the defense contracts, there will be a popular clamor for rent control. This was true during the last war and in the period that immediately followed, as it was true in Europe during the periods there of rapid increases in cost of living.

The difficulty, however, with rent control is that it defeats the very thing it tried to accomplish.

Rents rise rapidly in any community because there are insufficient housing accommodations in that community to take care of the demand. The reason there are insufficient accommodations is because rents and values have not been high enough to pay an adequate return on the investment. Whenever rents and values rise to the point where they indicate that a profit is possible in the building of houses, building goes forward at a rapid rate and continues until the supply exceeds the demand. This results in a drop in rent levels and values.

The best cure for high rents is high rents.

THE REAL ESTATE ANALYST INDEX OF RESIDENTIAL RENTS

THE table below shows residential rent figures. This is the revised index of residential rents which appeared in the Real Estate Analyst for the first time in the February, 1938, issue. All rents are expressed in dollars per month per room. This makes possible a comparison of rent levels between different

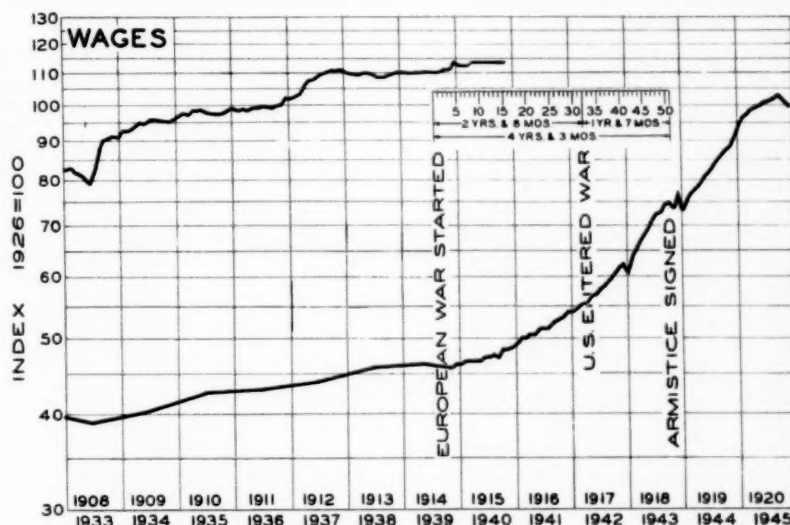
cities, and in the same city between heated and unheated units. The twenty-six cities selected are typical cities scattered from coast to coast. The method of computing this index is described on page 889 in the February, 1938, Real Estate Analyst.

	1940														1941	
	June		July		Aug.		Sept.		Oct.		Nov.		Dec.		Jan.	
	Res.	Apt.	Res.	Apt.	Res.	Apt.	Res.	Apt.	Res.	Apt.	Res.	Apt.	Res.	Apt.	Res.	Apt.
National Index	\$8.41	\$11.80	\$8.47	\$11.75	\$8.48	\$11.79	\$8.53	\$11.82	\$8.52	\$11.81	\$8.50	\$11.83	\$8.45	\$11.80	\$8.44	\$11.80
Atlanta	7.90	10.92	7.91	10.88	7.99	11.00	8.12	11.02	8.14	11.02	8.14	11.03	8.07	11.15	8.04	11.17
Baltimore	7.20	10.30	7.40	10.29	7.44	10.26	7.50	10.30	7.47	10.32	7.41	10.39	7.30	10.31	7.28	10.33
Birmingham	6.40	9.80	6.25	9.79	6.42	9.81	6.47	9.85	6.52	9.89	6.49	9.93	6.47	9.96	6.47	9.96
Boston	8.05	14.90	8.09	14.90	8.13	14.95	8.24	14.90	8.40	14.91	8.36	14.99	8.32	14.90	8.35	14.79
Chicago	10.51	12.51	10.77	12.50	10.90	12.57	10.86	12.65	10.80	12.61	10.64	12.63	10.78	12.65	10.91	12.61
Cincinnati	9.90	12.88	9.91	12.85	9.93	12.86	9.83	12.92	9.78	12.90	9.70	12.90	9.69	12.93	9.73	13.00
Cleveland	9.65	12.75	9.75	12.70	9.55	12.68	9.86	12.66	9.85	12.75	9.81	12.81	9.75	12.89	9.76	12.97
Columbus	7.06	10.88	7.07	10.85	7.10	10.85	7.19	10.90	7.20	10.92	7.19	10.92	7.14	10.87	7.14	10.88
Denver	7.78	12.98	7.85	12.87	7.91	12.74	7.87	12.71	7.86	12.70	7.76	12.67	7.71	12.60	7.64	12.60
Detroit	8.89	11.49	8.95	11.54	9.02	11.56	9.08	11.65	9.13	11.76	9.10	11.79	9.08	11.75	9.04	11.76
Houston	8.52	11.01	8.49	10.97	8.40	10.87	8.36	10.77	8.28	10.76	8.20	10.70	8.05	10.70	8.04	10.63
Kansas City	6.18	7.15	6.19	7.14	6.20	7.14	6.22	7.19	6.20	7.15	6.16	7.16	6.10	7.15	6.09	7.15
Los Angeles	10.69	11.78	10.69	11.70	10.66	11.62	10.76	11.59	10.76	11.59	10.65	11.50	10.60	11.32	10.70	11.29
Milwaukee	9.07	10.61	9.15	10.59	9.19	10.59	9.15	10.59	9.12	10.60	9.07	10.64	8.96	10.70	8.93	10.66
Minneapolis	8.35	10.30	8.37	10.30	8.37	10.28	8.31	10.30	8.21	10.30	8.09	10.31	7.99	10.25	7.92	10.25
New Orleans	7.99	10.26	8.24	10.30	8.53	10.30	8.78	10.53	8.86	10.56	8.93	10.52	9.02	10.58	8.90	10.52
New York	12.72	19.20	12.59	19.33	12.80	19.57	12.72	19.65	12.69	19.60	12.58	19.54	12.56	19.48	12.53	19.30
Omaha	6.65	11.55	6.69	11.55	6.75	11.60	6.82	11.70	*6.81	11.70	6.82	11.75	6.81	11.71	6.81	11.72
Philadelphia	7.01	13.69	7.00	13.68	7.08	13.85	7.18	14.05	7.20	14.11	7.20	14.09	7.13	14.08	7.13	14.05
Pittsburgh	9.06	12.30	9.20	12.29	9.31	12.12	9.33	12.11	9.31	12.11	9.32	12.00	9.24	11.75	9.22	11.70
Richmond	8.30	11.19	8.24	11.13	8.25	11.08	8.20	11.03	8.25	10.98	8.25	11.04	8.23	11.16	8.25	11.28
Saint Louis	8.19	10.62	8.24	10.57	8.25	10.51	8.22	10.59	8.23	10.63	8.13	10.63	8.04	10.60	7.99	10.69
Salt Lake City	7.69	11.01	7.60	11.11	7.75	11.08	7.77	11.07	7.84	11.09	7.72	10.99	7.76	10.91	7.75	10.94
San Francisco	9.70	13.28	9.70	13.22	9.70	13.12	9.76	13.05	9.76	13.09	9.75	13.07	9.75	13.00	9.73	13.01
Seattle	7.65	11.75	7.69	11.76	7.64	11.82	7.69	11.90	7.75	11.90	7.80	11.87	7.72	11.78	7.78	11.81
Tulsa	7.63		7.63		7.59		7.58		7.51		7.48		7.39		7.30	

*Preliminary

WAGES

THE chart to the right gives the trend in wages from 1908 to 1920 as shown by the red line, and from 1933 to 1940 as shown by the black line. It is based on a composite index prepared from hourly earnings of practically all types of endeavor. It does not measure purchasing power of labor, because it does not take into account the number of hours worked nor general unemployment. Interesting is the fact that the hourly wage rates which started a rapid increase in 1915 are now nearly two and a half times the rate at the beginning of the last war. While some increase can be expected during the present emergency, especially if this country becomes involved in the war, it is anticipated that such increases will be more moderate.



OFFICE BUILDING RENTS AND VACANCY

OFFICE building rents are still quite low, in spite of the recovery we have experienced since the bottom of the depression. Their failure to rise has been the result of the fact that in most cities sufficient office building vacancy still exists to put the tenant in the bargaining position. On a national basis, office building vacancy reached its low in January 1934 (27.57% vacancy). Since then occupancy has steadily increased to 83.29%, or a vacancy of only 16.71%. This represents a gain in occupancy of 10.86%. During 1941 and 1942 many companies are going to need additional space, and in those cities where office building vacancy at the present time is not excessive, the absorption that will come during the next two years will have a beneficial effect on the level of office building rents.

FARM VALUES

FARM values averaged throughout the United States showed a slight rise in 1940 in comparison with 1939. However, the movement has been extremely slight during the past four years, and in all the years since 1933 farm values have been considerably below the levels of the corresponding period of World War I.

We think that 1941 will bring slightly higher farm values than 1940, but at the present time it does not seem probable that farm values during the next five years would experience a rise comparable to the rises of the corresponding period of the other war.

The farms will benefit from the increased activity in the city during 1941 and 1942, although they will continue to suffer from the lack of export.

